

Message Text

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TO AMEMBASSY TAIPEI

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E. O. 11652: N/ A

TAGS: ETRD, EIND, EMIN, TW, US

SUBJECT: U. S. FERROUS SCRAP SITUATION

REF: TAIPEI 3411

1. HEAVY DOMESTIC AND FOREIGN DEMAND FOR US FERROUS SCRAP HAVE RESULTED IN SHARPLY INCREASED PRICES AND EXPORTS SINCE BEGINNING OF YEAR. FERROUS SCRAP EXPORTS DURING JAN- APRIL 1973 TOTALED 3.5 MILLION TONS (EXCLUDING SHIPS FOR SCRAPP-ING), VS. 1.8 MILLION TONS IN SAME PERIOD 1972. HEAVY FOREIGN DEMAND FOR US SCRAP HAS RESULTED IN US FERROUS SCRAP USERS REQUESTING USG TO RESTRICT OR EMBARGO SCRAP EX-PORTS. DEPARTMENT UNDERSTANDS THAT SMALLER AND MEDIUM SIZE US STEEL PRODUCERS ARE SEEKING LEGISLATION THAT WOULD PRO-VIDE FOR AUTOMATIC TRIGGERING OF EXPORT LIMITATIONS AND/ OR EMBARGO ONCE COMBINATION OF US DOMESTIC SCRAP RECEIPTS (BY LIMITED OFFICIAL USE

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USERS) AND EXPORTS REACH PRE- DETERMINED LEVELS. AMERICAN IRON AND STEEL INSTITUTE (AISI -- PRINCIPAL US STEEL INDUSTRY TRADE ASSOCIATION), WHICH IN MAY 1973 REQUESTED USG PLACE 7 MILLION TON LIMIT ON SCRAP EXPORTS THIS YEAR, HAS NOW REQUESTED EMBARGO ON SCRAP EXPORTS, CITING PRESIDENT'S RECENT FREEZE ON DOMESTIC PRICES (WHICH APPLIES TO DOMESTIC SCRAP PRICES, BUT NOT TO EXPORT PRICES).

2. EARLIER THIS YEAR, USG CONCLUDED THAT JAPANESE SCRAP PURCHASES CONTRIBUTED SIGNIFICANTLY TO PRICE PRESSURES ON US FERROUS SCRAP MARKET IN DECEMBER 1972, JANUARY, AND EARLY FEBRUARY 1973, WHEN JAPANESE USERS APPARENTLY PURCHASED HEAVILY FOR CURRENT AND FUTURE USE. DURING THIS TIME US PRICES ROSE 30 PERCENT. PRICE INCREASES APPEARED TO HAVE BEEN CAUSED BY BUNCHING OF JAPANESE PURCHASES RATHER THAN LEVEL OF EXPORT SHIPMENTS. ACCORDINGLY, USG IN MAY 1973 REQUESTED GOJ TO URGE JAPANESE PURCHASERS OF US FERROUS SCRAP TO SPREAD OUT PURCHASES MORE EVENLY OVER LONGER PERIOD OF TIME. GOJ SUBSEQUENTLY INFORMED US THAT JAPANESE IMPORTS OF FERROUS SCRAP DURING SECOND HALF CY 1973 ESTIMATED TO BE APPROX 24 PERCENT LESS THAN DURING FIRST SIX MONTHS. MAJOR FACTOR IN THIS ESTIMATED REDUCTION IS INCREASED AVAILABILITY OF PIG IRON IN JAPAN RESULTING FROM RELIGHTING OF PREVIOUSLY IDLE BLAST FURNACES, AND INSTALLATION OF NEW BLAST FURNACES. JAPANESE ESTIMATED SCRAP IMPORTS FROM US DURING SECOND HALF YEAR AT 1.95 MILLION NET TONS (NT) VS. 2.58 MILLION NT DURING FIRST HALF (US DATA SHOW JAN- APRIL 1973 FERROUS SCRAP EXPORTS TO JAPAN TOTALING 1.9 MILLION NT, SLIGHTLY MORE THAN HALF TOTAL US SCRAP EXPORTS DURING PERIOD). JAPANESE QUARTERLY SCRAP IMPORTS FROM US EXPECTED BE 1.18 MILLION NT IN THIRD QUARTER 1973; 0.77 MILLION NT IN FOURTH QUARTER; AND 0.63 MILLION NT IN FIRST QUARTER 1974. JAPANESE INDICATED THEY HAD COMPLETED US SCRAP PURCHASES FOR SHIPMENT THROUGH SEPT 1973, AND STATED THAT WHEN BUYING RESUMED FOR DELIVERY BETWEEN OCT 1973- MARCH 1974, ATTEMPT WOULD BE MADE TO SPREAD PURCHASES EVENLY THROUGHOUT THE SIX- MONTH PERIOD.

3. ANALYSIS OF PROBLEM INDICATED THAT BUYING PATTERN OF LIMITED OFFICIAL USE

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JAPANESE PURCHASERS WAS PRINCIPAL EXTERNAL CAUSE FOR PRICE INCREASES. IF SIMILAR BUNCHED PURCHASES ARE MADE BY OTHER MAJOR FOREIGN PURCHASERS, USG WILL MAKE SIMILAR APPROACHES TO THEM.

4. US DATA SHOW EXPORTS 195,000 NT FERROUS SCRAP TO TAIWAN IN JAN- APRIL 1973, VS. 97,785 NT DURING COMPARABLE

PERIOD 1972.

5. EMBASSY MAY DRAW ON ABOVE IN RESPONDING TO INQUIRIES
CONCERNING U. S. FERROUS SCRAP SITUATION. ROGERS

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